

**GEARY COUNTY EXTENSION COUNCIL
GEARY COUNTY, KANSAS**

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2008

**GEARY COUNTY EXTENSION COUNCIL
GEARY COUNTY , KANSAS**

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POTTBERG, GASSMAN & HOFFMAN

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

816 N Washington
Junction City, KS
(785) 238-5166
Fax (785) 238-6830

Geary County Extension Council
Geary County, Kansas

529 Humboldt, Suite I
Manhattan, KS 66502
(785) 537-9700
Fax (785) 537-3734

We have audited the accompanying financial statements of the Geary County Extension Council, a component unit of Geary County, Kansas, as of and for the year ended December 31, 2008 as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

P.O. Box 637
303 N. Cedar
Abilene, KS 67410
(785) 263-2171
Fax (785) 263-3340

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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As described more fully in Note 1, the Council has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these statutory accounting practices and account principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Geary County Extension Council, as of December 31, 2008, or the changes in its financial position for the year then ended.

In our opinion, except for the effects of including non-cash salaries as a receipt and as an expenditure as described in Note 1, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of the Geary County Extension Council, as of December 31, 2008, and its cash receipts and expenditures and budgetary comparisons for the year then ended, on the basis of accounting described in Note 1.

Pottberg, Gassman & Hoffman, Chartered

Junction City, Kansas
March 09, 2009

MEMBERS:

American Institute of
Certified Public Accountants

Kansas Society of Certified
Public Accountants



**GEARY COUNTY EXTENSION COUNCIL
GEARY COUNTY, KANSAS**

**SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH
FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>Funds</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Canceled Encumbrances</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add: Outstanding Encumbrances and A/P</u>	<u>Ending Cash Balance</u>
General Fund	\$ 39,094	-	340,978	341,597	38,475	-	38,475
Total Reporting Entity	<u>\$ 39,094</u>	<u>-</u>	<u>340,978</u>	<u>341,597</u>	<u>38,475</u>	<u>-</u>	<u>38,475</u>
Composition of Cash:							
	Checking Account						<u>\$ 38,475</u>

The notes to the financial statements are an integral part of this statement.

**GEARY COUNTY EXTENSION COUNCIL
GEARY COUNTY, KANSAS**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008
(WITH 2008 BUDGET)**

(WITH COMPARATIVE TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2007)

	2007	2008		Variance Over (Under)
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash Receipts:				
County Tax Appropriation	\$ 267,679	271,346	271,346	-
Kansas State University (Salaries)	47,121	48,815	48,204	611
Education Services Reimbursements	18,769	13,198	20,000	(6,802)
Interest and Miscellaneous Income	7,090	7,619	6,000	1,619
Capital Outlay	-	-	18,000	(18,000)
Total Cash Receipts	<u>340,659</u>	<u>340,978</u>	<u>363,550</u>	<u>(22,572)</u>
Expenditures:				
Salaries	216,863	225,655	226,500	(845)
Employer's Contribution	41,717	43,306	50,000	(6,694)
Travel	4,786	5,243	6,000	(757)
Printing, Auditing, and Bond	3,694	5,321	3,750	1,571
Telephone	3,719	3,477	4,500	(1,023)
Supplies, Stationary and Postage	7,734	8,177	8,500	(323)
Equipment, Auto Exchange	8,168	8,914	14,000	(5,086)
Subsistence	808	1,753	2,000	(247)
Miscellaneous	10,118	12,784	10,000	2,784
Educational Services Supplies	19,804	12,703	20,000	(7,297)
Rent, Heating, and Lighting	319	264	300	(36)
Capital Outlay	-	14,000	18,000	(4,000)
Total Expenditures	<u>317,730</u>	<u>341,597</u>	<u>363,550</u>	<u>(21,953)</u>
Receipts Over (Under) Expenditures	22,929	(619)	-	(619)
Unencumbered Cash - January 1	16,165	39,094	-	39,094
Unencumbered Cash - December 31	\$ <u>39,094</u>	<u>38,475</u>	<u>-</u>	<u>38,475</u>

The notes to the financial statements are an integral part of this statement.

**GEARY COUNTY EXTENSION COUNCIL
GEARY COUNTY, KANSAS**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

1. Summary of Significant Accounting Policies

Reporting Entity

Geary County Extension Council provides services in such areas as agriculture, home economics, and 4-H Club, to all persons in the County. The Council is an elected nine-member executive board. Geary County annually provides significant operating subsidies to the Council. As such, the Council is treated as a component unit of Geary County.

Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific regulations, restrictions or limitations.

The following fund was utilized in recording the financial activities of the Council for 2008:

Governmental Fund

General Fund - to account for all unrestricted financial resources except those required to be accounted for in another fund.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The Council has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities.

**GEARY COUNTY EXTENSION COUNCIL
GEARY COUNTY, KANSAS**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

1. Summary of Significant Accounting Policies (Continued)

Consequently, the expenditures as reported do not present cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the equipment owned by the Council are not presented in the financial statements. Also long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Budgetary Information

Kansas statute (K.S.A. 2-610) requires that the Extension Council file with the County Commissioners in the office of the County Clerk a proposed budget prepared in cooperation with the Director of Extension of Kansas State University College of Agriculture and Applied Science for the ensuing calendar year. The Commission, after approval of the budget, shall make it a part of the regular county budget.

Salaries

Pursuant to the Memorandum of Understanding between Kansas State University College of Agriculture and Applied Science and the Geary County Extension Council, the University pays for a portion of extension agents' salaries, payroll taxes and benefits and bills the remainder to the Council on a monthly basis. The extension agents are considered employees of the University for all payroll reporting purposes.

The Council prepares monthly financial statements and submits them to the University for their review. The monthly statements report the total extension agent salaries as an expenditure and includes the portion paid by the University as a receipt titled KSU salaries. The value of the non-cash KSU salaries for 2008 is \$48,815.

2. Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the Council. The statute requires banks eligible to hold the Council's funds to have a main or branch bank in the county in which the Council is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on the funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Council has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Council's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Council has no investment policy that would further limit its investment choices. The Council had no investments in 2008.

Concentration of credit risk. State statutes place no limit on the amount the Council may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of bank failure, the Council's deposits may not be returned to it. State statutes require the Council's deposits in financial

GEARY COUNTY EXTENSION COUNCIL
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

2. Deposits and Investments (Continued)

institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Council has no designated "peak periods". All deposits were legally secured at December 31, 2008.

At December 31, 2008, the Council's carrying amount of deposits was \$38,475 and the bank balance was \$64,973. The bank balance was held by one bank. The entire bank balance was covered by federal depository insurance.

3. Long-term Debt

Changes in long-term liabilities for the Council for the year ended December 31, 2008, were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Net Change</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
Compensated Absences					\$ 3,738	\$ -	\$ 557	\$ (557)	\$ 3,181	\$ -

4. Defined Benefit Pension Plan

Plan description. The Geary County Extension Council contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2008 is 5.93%. The Geary County Extension Council employer contributions to KPERS for the years ending December 31, 2008, 2007 and 2006 were \$3,389, \$2,891 and \$2,466, respectively, equal to the required contributions for each year.

5. Compensated Absences

The Council's policy regarding vacation leave allows employees to accumulate vacation time based on the years of continuous service as follows:

**GEARY COUNTY EXTENSION COUNCIL
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

5. Compensated Absences (Continued)

<u>Years of Continuous Service</u>	<u>Vacation Days Accrued</u>	<u>Maximum Accrual</u>
0 to 3	1 day/mo.	12
4 to 8	1.25 days/mo.	15
Over 8	1.50 days/mo.	18

Vacation leave is earned by month. Upon termination of employment an employee is entitled to pay for unused accrued vacation leave.

The Council's policy regarding sick leave allows employees to earn leave at the rate of one day per month with a maximum accumulation of 60 days. Any unused days are forfeited upon termination of employment.

The Council has estimated the dollar amount of accumulated vacation for all employees at December 31, 2008 of \$3,181.

The only estimate in these financial statements is in the calculation of the compensated absences balance. Actual results could differ from this estimate.

6. Related Party Transactions

The Extension Council was appropriated \$271,346 by Geary County, Kansas for the year ended December 31, 2008. The County also provides the Council with rent-free use of the building for its operations.

7. Risk Management

The Geary County Extension Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To insure against risk of these types of losses, the Council has purchased commercial insurance coverage from Cardinal Insurance Company.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. Other Post Employment Benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

**GEARY COUNTY EXTENSION COUNCIL
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

8. Other Post Employment Benefits (Continued)

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

9. 4-H Club Activity Funds

The 4-H Club activity funds are not a part of the Geary County Extension Council records, and accordingly, we did not audit these funds.

10. 2007 Financial Data

The amounts shown for 2007 in the financial statements are included where practicable, only to provide a basis for comparison with 2008, and are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United State of America.

Rounding differences may exist between amounts reported for the 2007 calendar year in these financial statements and the amounts reported in the 2007 audited financial statements.